

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 NEA-10 ADP-00 AID-20 CIAE-00 COME-00

FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 NSC-10 SS-14

STR-08 CEA-02 L-03 H-02 INRE-00 PA-03 PRS-01 USIA-12

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FM AMEMBASSY DACCA

TO SECSTATE WASHDC PRIORITY 9155

INFO AMEMBASSY ISLAMABD

AMEMBASSY MOSCOW

AMEMBASSY PARIS PRIORITY

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EE. O. 11652: GDS

TAGS: EAID, EFIN, PK, BG, UR

SUBJECT: BANGLADESH/ PAKISTAN DEBT DIVISION - USSR POSITION

REF: (A) STATE 47677; (B) MOSCOW 2925; (C) DACCA A-57, 12/19/72;

(D) DACCA 5541; (E) DACCA 5406; (F) ISLAMABAD 1627;

(G) ISLAMABAD 1846

SUMMARY: ACCORDING TO ACCOUNT GIVEN BY ANATOLI ZVEREV, HEAD DACCA MISSION USSR COMMITTEE FOREIGN ECONOMIC RELATION, SITUATION RE SOVIET AID CREDITS TO EAST PAKISTAN / BANGLADESH SOMEWHAT DIFFERENT IN DETAIL FROM DESCRIPTION BY BD COMMERCIAL COUNSELOR KIBRIA, MOSCOW (REF (B) BUT SIMILAR IN NET EFFECT - THAT DEBT LIABILITY FOR OLD AID EAST PAKISTAN NOT A PROBLEM TO USSR: PAYMENT ARRANGED WITH BD FOR AMOUNTS FELT BY USSR TO BE OUTSTANDING.

1. CONTRARY TO WHAT KIBRIA CLAIMED, SOVIET CREDITS FOR PROJECTS FOR EAST PAKISTAN WERE NOT, RPT NOT, ALL IN EARLY STAGE OF DEVELOPMENT AT TIME OF SPLIT- UP PAKISTAN.

(A) AS MENTIONED REFS C & D, SOVIET LOANS FOR OIL EXPLORATION

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IN BOTH WINGS WERE EXTENDED PAKISTAN IN 1961 FOR \$30 MILLION EQUIVALENT AND 1969 FOR \$20.2 MILLION. IN REVIVED AGREEMENT WITH BD LAST DECEMBER FOR LOAN \$16.2 MILLION, BDG ACCEPTED LIABILITY FOR \$15.4 MILLION IN DEBT FOR OLD RELATED AID EXPENDED IN EAST PAKISTAN (PAR 2, REF D). PAYMENT FOR BOTH OLD AND NEW AID WILL BE OVER 12 YEARS AT 2 1/2 PERCENT INTEREST. ACCORDING ZVEREV, GRACE PERIOD IS 3 YEARS, IN ACCORDANCE WITH AID TERMS EXTENDED BD EARLIER IN 1972 - NOT TWO YEARS AS QUOTED FROM PRESS IN PARA 3, REF D. NO PAYMENT OF INTEREST TO TAKE PLACE DURING GRACE PERIOD.

(B) AID FOR CHORASSAL THERMAL POWER STATION TO AMOUNT OF \$13.2 O MILLION WAS PROVIDED UNDER EARLY 1965 TRADE CREDIT TO PAKISTAN OF \$30 MILLION. AS KIBRIA REPORTED, PROJECT WAS INCLUDED IN REVIVED AID PROJECTS FOR BD MARCH 1972. AMOUNT OF NEW SOVIET AID SPECIFIED FOR GHOROSAL PLANT BY UNROD IN MOST RECENT EDITION ITS CHART OF AID COMMITMENTS TO BANGLADESH IS \$1.45 MILLION, BUT ZEREV SIAD IT'S " 10 RLZES THIS MUCH." BDG WILL PAY OLD DEBT OUTSTANDING. TERMS THE STANDARD 2 PERCENT, 12 YEARS INCLUDING 3 GRACE.

(C) AID AT ONE POINT REPORTEDLY AMOUNTING TO \$5.9 MILLION TO BUILD FACTORY FOR ELECTRIC POWER EQUIPMENT AT PATENGA, NEAR CHITTAGONG, AGREED TO BY USSR UNDER 1966 LOAN OF \$22.2 MILLION FOR CONSTRUCTION SUCH FACTORIES IN BOTH WINGS UNDIVIDED PAKISTAN. LITTLE PROGRESS MADE AT PATENGA. AID PROJECT AGREEMENT SIGNED WITH BD TO AMOUNT \$12.82 MILLION. QUANTUM OF DEBT LIABILITY ASSUMED BY BD UNKNOWN. TERMS STANDARD.

(D) FINAL PROJECT LOAN TO BDG FOR \$2.08 MILLION FOR RADIO STATIONS AND EQUIPMENT (DETAILS IN ENCLOSURE 4 H, REF C). ZVEREV ASSERTS NO PROJECTS UNDERTAKEN THIS FIELD IN EAST PAKISTAN THOUGH UNDER EARLY 1965 TRADE CREDIT OF \$30 MILLION, TELECOMMUNICATIONS EQUIPMENT WAS TO BE SUPPLIED HERE. ZVEREV CLAIMED CONTRACTS WERE WITH EAST PAK AUTHORITIES AND ALL WERE PAID UP.

2. TWO COMMODITY LOANS EXTENDED BY USSR TO BD TO AMOUNT OF \$6 MILLION IN EARLY 1972 AT 2 PERCENT INTEREST FOR 12 YEARS INCLUDING 3 GRACE, AND \$50 MILLION IN DECEMBER 1972 AT 2 1/2 PERCENT INTEREST FOR 10 YEARS INCLUDING 2 GRACE - SEE REF E. BESIDES TELECOM EQUIPMENT CITED ABOVE, JUTE LOOMS WORTH \$.06 MILLION SUPPLIED EAST PAKISTAN UNDER EARLY 1965 LINE OF CREDIT. THEY RECENTLY WERE COMMISSIONED IN JUTE MILL RAJSHAHI. ZVEREV CLAIMED LOOMS WERE PAID FOR IN PAKISTAN PERIOD. MADE SAME ASSERTION RE \$2.9 MILLION

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IN EQUIPMENT FOR DACCA AIRPORT AND \$1.4 MILLION IN LOGGING

EQUIPMENT FOR CHITTAGONG HILL TRACTS PROVIDED UNDER LATE 1965 LINE OF CREDIT OF \$20 MILLION, AND RE UNKNOWN AMOUNT FOR BRIDGES IN EAST PAKISTAN UNDER 1966 LINE OF CREDIT OF \$63 MILLION. WE FIND THIS A LITTLE HARD TO BELIEVE BUT ZVEREV INSISTED NOTHING OUTSTANDING ON COMMODITY LOANS FOR DELIVERIES BENEFITING EAST PAKISTAN. NO NEED, THEREFORE, FOR USSR TO PRESS BDG TO ASSUME LIABILITY SUCH OLD DEBT PRIOR EXTENSION NEW COMMODITY LOANS.

3. THIS ALSO APPARENTLY CASE WITH LOAN FINANCING OF FISHERIES STUDIES BOTH WINGS ALSO UNDER 1966 LINE OF CREDIT. NEW \$2.80 MILLION GRANT LISTED FOR FISHERIES DEVELOPMENT IN UNROD CHART (WHICH ZVEREV SAYS IS MUCH TOO LOW) THUS ALSO DID NOT HAVE TO ENTAIL ASSUMPTION BY BDG LIABILITY FOR OLD AID IN SAME AREA.

4. ONLY QUANTITATIVE DATA WE HAVE BEEN ABLE TO DEVELOP RE ASSUMPTION PAST DEBT LIABILITY BY BDG IS , THEREFORE, THE \$15.4 MILLION FOR OIL EXPLORATION QUESTIONED RE TOTAL AMOUNT OUTSTANDING, ZVEREV AGREED WITH FIGURE OF \$30 MILLION CITED BY SOVIET EMBASSY OFFICIAL ISLAMABAD (REF F). ZVEREV INDICATED BDG HAS ASSUMED ALL LIABILITY USSR HAS SOUGHT. TOTAL SOVIET CREDITS TO BDG TOTAL \$105.60 MILLION TO DATE. ADD THEREFORE \$30 MILLION FOR REPAYMENT BEGINNING IN 1975.

5. IN THIS CONTEXT, SOVIET AGREEMENT IN PRINCIPLE TO EXCLUDE EAST PAK LIABILITY FROM PAKISTAN ACCOUNT (REF F) NOT TOO SURPRISING. USSR CLAIMS IN EFFECT IT HAS RESOLVED PROBLEM.

6. BD/ USSR AGREEMENTS FOREGOING NOT AVAILABLE TO EMBASSY BEYOND DETAILS REPORTED ABOVE AND IN PAST.
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